CHAPTER 3

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT, SMALL CITIES, NON ENTITLEMENT CDBG GRANTS IN HAWAII, AND INSULAR AREAS PROGRAMS

- 3-1 <u>APPLICABILITY</u>. The procedures outlined in this chapter are designed specifically to apply to monitoring of Community Development Block Grant (CDBG) funds received by communities under the Entitlement program. The procedures in this chapter are not applicable to monitoring of CDBG funds received by states under the State CDBG program. Separate guidance for monitoring compliance with State CDBG program requirements is provided in Chapter 4.
 - A. Applicability to Other Programs. Procedures in this chapter should also be used for the Section 108 Loan Guarantee program (see also Chapter 5), the Economic Development Initiative (EDI) (see Chapter 5); the Brownfields Economic Development Initiative (BEDI) (see Chapter 5); Insular Areas and the ongoing Non Entitlement CDBG Grants in Hawaii, open Disaster Recovery assistance to local governments, as well as the remaining activities from the HUD-Administered Small Cities program in New York funded prior to New York's acceptance of funding under the State CDBG program in FY 2000. Open Disaster Recovery CDBG Supplemental Grants to local governments should be monitored as described in this Chapter with the modifications described in Chapter 6. These programs generally follow the Entitlement program requirements with the modifications described in the following paragraphs.
 - B. <u>Insular Areas</u>. The following portions of awards under the Insular Area program should be evaluated against program-specific criteria described in 24 CFR 570.405 rather that the Entitlement program criteria for pre FY 2005 grants: application and performance reporting, preagreement costs, and citizen participation. Title V of Public Law 108-186 (117 Stat. 2685, approved December 16, 2003) (title V amended title I of the HCD Act, moving the insular areas funding authorization from section 107(a) (42 U.S.C. 5307(a)) to section 106(a) (42 U.S.C. 5306(a)). The regulations at 24 CFR 570.405 applicable to insular areas grants under section 107 will govern insular areas funding before FY 2005. The new Insular Areas CDBG regulations at Subpart F (renamed "Small Cities and Insular Areas Programs" by this rule) of 24 CFR part 570 added by the Final Rule, 70 FR 8706 (February 22, 2005) govern insular areas funding under section 106. For post FY 2004 grants, 24 CFR 570.441 should be followed for citizen participation requirements for abbreviated consolidated plans and program amendments.

- C. <u>Non Entitlement CDBG Grants in Hawaii</u>. Grants made under this program should be evaluated in accordance with entitlement requirements.
- D. <u>HUD-Administered Small Cities in New York.</u> Open HUD-Administered Small Cities grants should be monitored as described in this chapter (Chapter 3) with the following modifications. The Consolidated Plan/Annual Application portion of the award should be evaluated against program-specific criteria described in 24 CFR 570.420 and 24 CFR 570.421. Citizen participation should be evaluated against the program-specific criteria described in 24 CFR 570.431. Program income should be monitored against the requirements of 24 CFR 570.426. Program amendments and reallocated funds should be evaluated against the requirements of 24 CFR 570.427. The reviewer should also review the approved small cities application to ensure that the grantee is implementing the program as described at the time of the application.
- 3-2 <u>PURPOSES</u>. Through on-site and remote monitoring, the reviewer can determine whether the program participant's performance meets CDBG program requirements and improve program participant performance by providing guidance and making recommendations. The specific purposes of monitoring are to:
 - A. validate the accuracy of information presented in the program participant's performance reports;
 - B. follow-up on problems identified during the Consolidated Annual Performance and Evaluation Report (CAPER) assessment that are not resolved as of the date of the monitoring;
 - C. determine compliance for those activities where there is sufficient information to make eligibility and/or national objective determinations;
 - D. evaluate the reasonableness of judgments made for those activities that necessarily involve high levels of program participant judgment;
 - E. ascertain the program participant's ability to ensure that activities carried out by subrecipients meet compliance requirements;
 - F. verify the accuracy of the program participant's records; and,
 - G. identify apparent causes of any problem(s) and offer recommendations for corrective actions.

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3-3 <u>ELIGIBILITY AND NATIONAL OBJECTIVE COMPLIANCE CRITERIA</u>. The specific categories of eligible activities under which an activity may be carried out by a program participant using CDBG funds are found at 24 CFR 570.201 through 24 CFR 570.206. The criteria for determining whether an activity addresses one or more of the three national objectives are found at 24 CFR 570.208.

3-4 DOCUMENTATION.

- A. Program Participant Documentation. As described in the CDBG regulations at 24 CFR 570.200(a), each program participant is required to maintain records that fully describe the assisted activity, including related financial and eligibility information. The required documentation that must be maintained by the program participant is described at 24 CFR 570.506(a) and (c) for eligibility and at 24 CFR 570.506(b) for national objectives. Documentation for national objective compliance is not required for planning and general program administration activities carried out under 24 CFR 570.205 and 24 CFR 570.206. These activities are considered to address the national objectives by virtue of supporting a program of activities, each of which addresses one of the national objectives [24 CFR 570.208(d)(4)]. Therefore, separate documentation of compliance with the national objectives is not required for planning and general program administration activities.
- B. <u>Field Office Documentation</u>. Monitoring documentation obtained by the HUD reviewer becomes part of the Field Office's official files and represents an important part of the information needed for the Annual Community Assessment. It also becomes an administrative record to support the need for corrective and remedial actions.
- 3-5 <u>USING THE MONITORING EXHIBITS</u>. This Chapter contains 20 Exhibits for the reviewer to use in monitoring the programs listed in the "Applicability" section above. There is one Exhibit for reviewing eligibility requirements generally, seven Exhibits for national objective monitoring, two Exhibits for reviewing rehabilitation activities, one Exhibit for reviewing economic development activities, one Exhibit for public benefit standards, one Exhibit for review of HUD-approved Neighborhood Revitalization Strategy Areas, an Exhibit for CDBG floatfunded activities, and six Exhibits for review of uniform administrative requirements.